

5. B. Housing Policies

These Consolidated Plan housing policies pertain to all capital funds administered by the Seattle Office of Housing (OH) except for voluntary contributions under bonus programs and as unless otherwise noted. Where conditions to issuance of a determination of consistency with the Consolidated Plan are stated, the policies also establish criteria for such consistency applicable to projects that may not receive capital funds through OH. Policies for rental assistance funds administered by the Seattle Human Services Department (HSD) are also included. Please refer to the currently applicable City of Seattle 2009 Housing Levy Administrative & Financial Plan (“Levy A & F Plan”) for additional policies governing the use of funds derived from current and prior housing levies, and in some cases governing other funds.

In this Housing Policies section of the Consolidated Plan only, the definitions for extremely low-income, very low-income, low-income, and median income in the Program Definitions section in the Levy A & F Plan, adopted by Ordinance 123643, shall apply, except that for purposes of HOME funds, “low-income” shall not exceed the applicable HOME low-income limit for the Seattle-Bellevue Fair Market Rent Area, as established by the U.S. Department of Housing & Urban Development (HUD).

RENTAL HOUSING POLICIES

The following policies apply to any rental housing funded by OH except as noted otherwise above and below.

Affordability Policies for Federal HOME and CDBG Funds

The policies described in this section apply only to HOME and CDBG funds appropriated for use in the 2011-2012 biennium:

- At least 50% of the combined total of CDBG and HOME rental program funds shall be used for units with affordable rents for extremely low-income households;
- Remaining CDBG and HOME rental program funds must be used for units with affordable rents for households with incomes up to 60% of median income.

For the purposes of the Housing Policies section of the Consolidated Plan “affordable rent” for low-income households means annual rent not exceeding 30% of the income limits for low-income households; “affordable rent” for households with incomes not exceeding 60% of median income means annual rent not exceeding 30% of 60% of median income; “affordable rent” for very low-income households means an annual rent not exceeding 30% of the limits for very low-income households; and “affordable rent” for extremely low-income households means an annual rent not exceeding 30% of the limits for extremely low-income households. For the purposes of determining whether a unit bears affordable rent, the term “rent” includes the rent paid by the tenant plus an allowance for utilities paid by the tenant.

Development Siting Policy

General Policy

OH will not fund, or certify as consistent with the Consolidated Plan, a project if the proposed number of subsidized rental housing units for extremely low-income households would exceed the capacity for additional subsidized rental housing units for extremely low-income households in the Census block group where the proposed project is located, except as otherwise specified below.

Capacity for additional subsidized rental housing units for extremely low-income households is defined as:

- The total number of housing units in the Census block group according to the latest data available from the Department of Planning and Development (DPD) (calculated based on Decennial Census data plus net new residential units), multiplied by 20%;
- Less the number of existing subsidized rental housing units for extremely low-income households in the Census block group according to the latest report available from OH (OH's inventory of subsidized rental housing in Seattle includes projects with capital subsidies from public agencies; i.e. City-funded projects as well as non-City funded projects as reported periodically by county, state and federal agencies).

The siting policy does not apply to projects located within the Downtown, Uptown and South Lake Union Urban Centers because of their special nature as high priority areas for affordable housing investment.

Alternative Conditions

A project may be consistent with the Consolidated Plan and may be funded despite exceeding capacity, as defined above, if the OH Director finds that one or more of the following conditions are met:

- The proposed project is a neighborhood-supported project. To be considered a neighborhood-supported project, the proposed project must be supported by a reasonable number of immediate neighbors and/or affected neighborhood organizations. The OH Director's determination will be based on review of results of the community notification process as described in the Neighborhood Notification and Community Relations Policy section (see below) including notification of immediate neighbors, consultation with established community groups, public meetings, and/or other means of community notification as OH deems appropriate. In accordance with national, state and local fair housing laws, OH disregards, in evaluating neighborhood support for the project, any opposition that appears to be based on characteristics of future residents of a project if discrimination based on such characteristics is prohibited.

- Additional market-rate housing development is planned in the Census block group, and the proposed project would not result in more than 20% of total housing units in the block group being subsidized rental housing for extremely low-income households, based on an adjusted estimate of total housing units that includes units for which building permits have been issued (based on the Department of Planning & Development's latest report of building permit data) or other such documentation as deemed appropriate by OH.
- Natural or manmade barriers (e.g. a bluff, waterway, or freeway) physically separate the proposed project from existing concentrations of subsidized rental housing for extremely low-income households.

The Analysis of Impediments to Fair Housing prepared for the City of Seattle, which is available on OH's Consolidated Plan webpage, includes a thorough overview of federal, state and local fair housing law. OH's Siting Policy is a tool for addressing barriers to fair housing. One goal is to ensure that housing for Seattle's lowest-income and most vulnerable populations is available throughout the City, including in our most amenity-rich neighborhoods in terms of transit, schools, parks and retail.

In accordance with the Fair Housing Act, Title 42, Chapter 45, Subchapter I, Section 3604, the OH Director may make reasonable accommodations specific to the Siting Policy when such accommodations may be necessary to afford handicapped persons equal opportunity to use and enjoy a dwelling.

Affirmative Marketing

Borrowers are required to affirmatively market vacant units. Borrowers must use marketing methods designed to reach persons from all segments of the community, including minorities, persons of color and persons with disabilities. In addition, owners are strongly encouraged to inform providers of emergency shelters and transitional housing about their projects and to promote access to households ready to move into permanent housing. Owners will be required to maintain records of their affirmative marketing efforts and to report annually to OH on those efforts. Borrowers of funding for transitional housing will be required to develop processes to assure that homeless individuals or families coming out of emergency shelters have equal access to transitional housing projects as people coming from other places.

Housing and Job Training Linkages

Some tenants residing in subsidized housing units are employed yet remain underemployed due to the lack of training opportunities and/or information on how to obtain additional training or education and certification which can help such individuals improve or stabilize their economic situation.

The City of Seattle, Washington State Housing Finance Commission, Seattle King County Workforce Development Council, Seattle Community Colleges, and the Affordable Housing

Management Association of Washington are beginning the process of creating and implementing strategies designed to link low income tenants residing in subsidized housing to a range of job training and education programs.

Owners of housing projects receiving City of Seattle capital or operating funding should endeavor to implement the strategies developed by the above entities in order to help the tenants in their buildings to obtain the training or education they need to improve their overall economic well being.

RENTAL ASSISTANCE POLICIES

Rental assistance addresses those housing related barriers that put a household at risk of homelessness or keep a household homeless. Rental assistance funds may be used to provide financial assistance to people at risk of homelessness. Financial assistance may include: rent assistance, security and/or utility deposits, move in costs, and rental and utility arrears. Rental assistance is the financial assistance part of the Human Services Department's homelessness prevention strategy. The City's homelessness prevention approach can include combining financial assistance (funded with Levy dollars) with housing stabilization support services (funded by the City's General Fund and Federal Community Development Block Grant). Housing stabilization support services (case management) include: landlord negotiations, financial and tenancy skills, housing search and placement, and referrals to mainstream benefits and to resources such as utility assistance. A case manager assessment is required to determine the level of need and assistance required to maintain or obtain permanent housing for people at risk of homelessness.

Rental assistance is structured to be flexible to meet the different financial and service needs of those at risk of homelessness. This is consistent with current national promising practices and local experience that point to the need for a more holistic and flexible approach to homelessness prevention.

HOME AND CDBG PROGRAM HOMEOWNERSHIP POLICIES

All of the policies that follow apply to HOME funds awarded by OH for homeownership purposes. The Eligible Use of Funds, Homebuyer Eligibility, and Funding Guidelines policies also apply to CDBG funds awarded for homeownership purposes. The policies do not apply to any other funds for ownership housing unless so provided in the relevant policy document for those funds. Policies for use of Levy homeownership funds are provided in the current 2009 Housing Levy Administrative & Financial Plan.

Eligible Use of Funds

- HOME and CDBG funds may be used only for (1) subordinate mortgages to assist eligible buyers; (2) site acquisition and/or development costs for a home or homes to be sold to eligible buyers; or (3) loans to nonprofit entities to assist eligible homebuyers to purchase resale-restricted homes.

- OH may provide up to \$1,000 of HOME and CDBG funds to non-profit homeownership organizations at the time of loan closing to help pay for counseling services provided by such organizations in connection with each home to be sold to an eligible buyer household. However, the \$1,000 for counseling services must be authorized in the contracts between organizations awarded homeownership funding and OH, and may not be included as part of homebuyer assistance loans to homebuyers.
- The value of the home must not exceed 95% of the median purchase price in Seattle, as published by HUD, or as determined locally through market analysis in accordance with HUD HOME Program requirements, or as allowed by any HUD exception or policy revision.
- Eligible homebuyers, as defined in the “Homebuyer Eligibility” subsection below, must purchase a home in Seattle and use it as their principal residence. Purchases of investment properties are not allowed under this program. All types of for-sale units are eligible, including single-family residences, condominium units, limited equity cooperatives, co-housing, land trusts, and homes on leased land. Homes with an accessory dwelling unit (ADU) are eligible, provided that the buyer will be an owner-occupant of the home and ADU tenants and rents meet household income limits and affordability requirements, per HOME regulations. A lease-to-own contract or long-term lease may be considered a purchase.

Homebuyer Eligibility

“Eligible homebuyer” means a homebuyer that does not include any person who has owned any interest in a residence within the 3-year period immediately preceding the home purchase for which assistance under the City program is provided, unless that person is unemployed or underemployed and, during at least 2 of the 3 year period preceding the determination of eligibility, worked primarily without remuneration to care for a home and members of a household. “Low-income homebuyer” means one or more individuals who are purchasing a home for the sole purpose of occupancy as a principal residence by a low-income household that will include that individual or individuals.

In programs administered directly by the City, qualifying income will be defined using the IRS definition of adjusted gross income for reporting on IRS Form 1040, subject to any adjustments or exclusions required by federal law or regulations.

Funding Guidelines

HOME and CDBG funds for homebuyer assistance loans to eligible buyer households are subject to the following conditions:

- Homebuyer assistance will be limited to the amount needed for each buyer household, providing gap financing to enable low-income households unable to qualify for sufficient private financing to purchase a home.
- In order that single-source downpayment assistance may be provided for the convenience of borrowers, in lieu of loans from HOME, CDBG, Levy or other City funds and non-City sources to the same borrower, OH may allow a higher amount of City-funded homebuyer assistance, not to exceed \$70,000, for a borrower that receives assistance made as part of a project or lending program for which a developer or nonprofit lending agency has obtained commitments of non-City homebuyer subsidy funds, but only if all of the following conditions are satisfied:
 1. Non-City subsidy funds provided to such project or program must be used for deferred downpayment assistance loans or other assistance that increases the ability of low-income households to purchase a home.
 2. The average amount of City-administered homebuyer assistance for all eligible households benefited by the program, including buyers who do not receive any City-administered funds, may not exceed \$55,000. Loans will generally be 30-year deferred loans. Loans may include provisions for payment of a share of appreciation. Any share of appreciation payable may be reduced and/or eliminated over time. Loan repayment terms shall specify the interest rate, which generally shall not exceed 3% simple interest; loan term; period of payment deferral; and any contingent interest or share of appreciation.
- Loans using the recapture option will be structured with repayment obligations, using a promissory note and deed of trust approved by OH.
- Borrowers must provide a minimum of \$2,500 or 1% of the purchase price, whichever is greater, of their own funds toward the home purchase as a condition to any homebuyer assistance loan. Homebuyers may receive gifts of funds towards their portion of the downpayment; however, gifts must not exceed 25% of the borrower's total downpayment requirement. Borrowers with incomes 60% of median income or less may provide a lower contribution as follows: (1) for eligible buyers participating in an OH-approved nonprofit-sponsored sweat equity housing program that requires significant participation by the homebuyer, the homebuyer's contribution of volunteer time may be accepted in lieu of the minimum cash contribution; and (2) for eligible buyers who have a long-term disability and whose household income includes Supplemental Security Income or similar public income support, gifts may constitute up to 75% of the homebuyer's total downpayment requirement.
- The terms of each homebuyer assistance loan, except those on resale restricted properties, shall provide that the entire principal balance is due upon sale or refinancing

of the home, at the lender's option, to the extent permitted by applicable law. However, OH may permit assumption of the loan by another eligible borrower in lieu of repayment.

- Eligible buyers purchasing non-resale restricted homes may receive homebuyer assistance up to a maximum of \$45,000 per assisted household, including both Levy funds and other City-administered funds, unless the maximum is increased in accordance with provisions below. The \$45,000 cap includes any fees paid to non-profit homeownership organizations for counseling services. Homebuyer assistance loans include loans to homebuyers and loans to developers or prior owners assumed by, or otherwise passed through to, homebuyers.
- Homebuyers purchasing properties subject to resale restrictions may receive additional homebuyer assistance up to a maximum of \$5,000 per assisted household, including levy funds and other City-administered funds. To be eligible for additional assistance, the resale of the home must be restricted to low-income first-time homebuyers for a period of at least 50 years and the resale price must be affordable to another low-income buyer. Resale restrictions must be in the form of a ground lease, covenant, or other recorded document approved by OH.
- An additional \$10,000 in subsidy may be provided to homebuyers with incomes below 60% of median income if increases in interest rates or sales prices, or lack of other homebuyer subsidies, create difficulty in qualifying households.
- The maximum loan amount for any homebuyer is \$55,000, except as expressly provided above in this Section. Council approval is required if the OH Director wants to increase the maximum loan amount to more than \$55,000.
- Homebuyer assistance loans may be used for downpayment, closing costs, and/or first mortgage loan interest rate write down, as approved by OH.
- City-funded assistance for any home improvements, if committed or provided in connection with a home purchase, is considered to be assistance for the purchase and, together with the homebuyer assistance, cannot exceed the applicable funding limit except in the case of assistance provided to a nonprofit developer for home purchase or land purchase and/or improvement costs associated with an OH-approved land trust project, for which the combined homebuyer assistance and home improvement assistance may total up to \$65,000, provided that the homebuyer assistance does not exceed \$45,000.
- Borrowers may use any first mortgage product approved by OH, including FHA and Fannie Mae products, and portfolio loans. FHA 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds \$5,000.

Recapture and Resale Guidelines

- In conformity with HUD rules, OH will impose either resale or recapture requirements, at its option, when HOME or CDBG funds are used. The recapture or resale options may be managed by the City, a subrecipient, or other contracting party at OH's option. The recapture or resale options cannot be used together in the same loan, except that OH may recapture funds loaned to a land trust in case of a transfer of a home contrary to resale restrictions.
- For HOME or CDBG funds that are allocated for eligible development costs and programs operated by nonprofit housing agencies, the resale option may be used. In such cases, the agreement with the developer or nonprofit housing agency will provide for long-term affordability of the housing. Requirements include:
 - The initial sale and any resale of subsidized units during the applicable affordability period must be made to low-income households.
 - The resale price during the applicable affordability period is limited to maintain an affordable purchase price for subsequent low-income homebuyers. The resale formula must also provide for a fair return to the seller. The resale price and return formula must be approved in advance by OH.
 - New purchaser income and resale price are restricted during the affordability period via a recorded deed restriction or land covenant, or there is a purchase option or right of first refusal in favor of the City or a City-approved entity at a restricted price, or both methods are used.
- For HOME and CDBG funds allocated to lending programs, the recapture option may be used. The City or a City-approved entity will have the right to require full repayment of the HOME or CDBG subsidy when resale occurs, regardless of the applicable affordability period, to the full extent permitted by law.

Subordination Policy

Many program borrowers refinance their homes or borrow against the value of their homes, and request that their homebuyer assistance loan's lien position be subordinated to another loan. In some cases agreeing to these subordination requests could greatly increase the risk that taxpayer funds may not be paid back. The current policy of OH is that subordination requests will be evaluated by the Homeownership Program Manager and will generally follow the following conditions:

- The total proposed loan to value ratio does not exceed 90% of the appraised or assessed value, whichever is less. The new loan does not have a balloon payment before the homebuyer assistance loan maturity date and is not an interest only loan.

- The homeowner needs to refinance only the existing first mortgage indebtedness against the property to take advantage of better rates, terms, and payments, and is not incurring additional indebtedness against the property, except for one or more of the following:
 - Refinancing fees;
 - Payments needed in order to save the house from a foreclosure;
 - Costs of an urgent health and safety repair;
 - Medical, funeral, or other emergency expenses of the homeowner or immediate family that are determined to be allowable by the Homeownership Program Manager.

GENERAL POLICIES FOR CAPITAL FUNDING

The following policies apply to all OH-funded affordable rental and homeownership housing capital projects, except those involving only weatherization and minor home repair. Additional policies, including general objectives and priorities for rental housing, and policies for short term “Acquisition and Opportunity Loans” and “Bridge Loans” are set forth in the Levy A & F Plan, as adopted and modified from time to time, and those policies may apply to sources other than Housing Levy funds, to the extent provided in that Plan.

Neighborhood Notification and Community Relations Policy

Prior to application for OH funding (permanent or bridge) for production or preservation of affordable rental housing or development of housing for low-income homebuyers, applicants are required to prepare and begin implementing a community relations plan, including neighborhood notification activities. The community relations plan is needed whether the application is for funding for new construction or renovation of an existing building, regardless of whether there is a change in ownership.

A successful notification effort leads to open, ongoing communication between developers and neighbors. This requires cooperation by developers, the City, and neighborhood residents. A positive, open relationship between housing developers and neighbors can prevent misunderstandings, facilitate prompt resolution of any inadvertent misunderstandings, and provide a fair, thoughtful, dependable means of ironing out differences.

It is the policy of the City of Seattle that OH funding of affordable housing not be refused solely on the basis of concerns expressed by neighbors; the City supports and is committed to promoting diversity in Seattle neighborhoods. Consistent with local, State and Federal law, housing may not be excluded from a neighborhood based on any of the following characteristics of the persons who will live there: age, ancestry, color, creed, disability, gender identity, marital status, honorably discharged veteran or military status, national origin, parental status, political ideology, race, religion, sex, sexual orientation, possession or use of a Section 8 voucher, or use of a service animal by a disabled person.

The City supports affordable housing projects that will preserve and enhance the strengths of Seattle's neighborhoods. Housing developers and neighbors should keep OH informed of any issues or concerns throughout the community notification process and operation of the project.

Minimum notification requirements for affordable housing developers

The steps outlined below describe minimum notification requirements, although OH may make exceptions with regard to certain requirements due to the unique circumstances of a proposed project (e.g. housing for victims of domestic violence). Any outreach and communication activities shown in parentheses after each requirement are shown as examples only. Applicants should tailor notification efforts to best serve each individual project and neighborhood.

(1) Prior to releasing purchase and sale agreement contingencies:

- Consult with OH. OH will help identify developers of other affordable housing in the neighborhood(s) being considered and suggest neighborhood organizations to contact.
- Contact other affordable housing owners to learn about a neighborhood's historical and current housing- and development-related concerns.

(2) Prior to submitting an application for funding:

- Notify neighbors within at least 500 feet of the site using a written notice, letter or flyer. Include basic information about the developer agency and proposed project (e.g. estimated schedule, contact person, and neighborhood organizations that have also been notified about the project).
- Identify neighborhood and community organizations by contacting the Neighborhood District Council. Contact those organizations and take steps to provide them with updated information about the project, including final site selection, schedule, and proposal for ongoing communication with the neighborhood.

(3) Every application must include a plan for maintaining ongoing communication with immediate neighbors and the neighborhood and community organizations throughout the project's pre-development, design and construction phases. (E.g. The ongoing community relations plan may include presentation(s) at regularly scheduled neighborhood organization meeting(s), invitation to a meeting hosted by the housing developer, formation of an advisory committee, and/or regular project updates in neighborhood organization publications or posted at local libraries, community centers, etc.) Information the housing developer should consider sharing at meetings includes the following, to the extent that it does not compromise the safety, confidentiality or well-being of the residents:

- a) Experience as a housing developer and manager; provide names and addresses of other affordable housing projects;

- b) Description of targeted population of the housing;
- c) Information about property management and support services, if applicable;
- d) Mechanisms for communication between the housing developer and neighbors, including 24-hour contact person and number if possible;
- e) Estimated schedule for construction and completion; and
- f) Opportunities for neighbors to provide input on the project (e.g. names of interested neighborhood organizations and how to contact them; community advisory committee; etc.).

(4) For rental housing developments, once the housing is operational:

- Invite neighborhood and community organizations and neighbors to project open houses.
- Establish ongoing communication with neighborhood organizations and neighboring residents and businesses. Promptly address emerging issues and share successes.
- Keep the City apprised of any issues.

Guidelines for neighbors

- (1) Encourage housing developers and residents to be active members of the community. Invite them to neighborhood meetings and events. Build a foundation for long-lasting, positive relationship.
- (2) Communicate concerns about design, operation and management of a project. Work collaboratively with housing developers and/or residents to identify ways to address those concerns.
- (3) Neighbors may want to consider negotiating a community relations plan with the housing developer if it turns out that clarity of understanding is difficult to reach verbally.
- (4) Make sure housing developers and/or residents know what is working well.

Relocation, Displacement, and Real Property Acquisition

Development of affordable rental and homeownership housing should be designed to minimize displacement of households. Any temporary relocation or permanent displacement of households must comply with all applicable provisions of (a) Seattle Municipal Code 20.84–Relocation Assistance; (b) the City’s Just Cause Eviction Ordinance; and (c) for projects using federal funds, the federal Uniform Relocation Act (URA), section 104(d) of the Housing and Community Development Act of 1974, the City’s Residential Antidisplacement and Relocation Assistance Plan (RARAP, Section 7 of the Consolidated Plan 2012 Update), and any other relocation regulations and handbooks applicable to the particular funding program. Federally funded projects involving any acquisition, rehabilitation or demolition must also comply with all applicable URA provisions.

These policies, laws and regulations contain, among other requirements, different timelines under which households must be given various notices and provided financial assistance under certain circumstances. Consultation with OH staff prior to submission of applications for funding is required for any applicant whose project will involve acquisition, demolition, rehabilitation, or temporary or permanent relocation activities. In order to reduce the risk of impairing eligibility for funding, applicants should not take any action regarding these activities prior to consultation with OH staff. Applicants are responsible for assuring and documenting compliance.

Fair Contracting Practices, WMBE Utilization, and Section 3

Sponsors must comply with the City's Fair Contracting Practices Ordinance. Sponsors and their general contractors shall be encouraged to take actions, consistent with that ordinance, which would increase opportunities for women and minority business enterprises (WMBE). A combined WMBE aspirational goal of 14% of the total construction and other contracted services contracts shall apply for all affordable rental housing capital projects funded by OH. OH shall encourage additional efforts to increase WMBE participation including mentoring programs and participation in apprenticeship and other training opportunities.

In addition, projects that are awarded federal funds must comply with applicable regulations under Section 3 of the Housing and Urban Development Act of 1968, as amended, which is intended to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns that provide opportunities to low-income persons. Borrowers and their contractors on projects covered under Section 3 regulations must develop a Section 3 plan stating numerical goals for contracting and hiring that meet federal targets as well as a description of the efforts they will make to achieve these goals. OH will provide connections to agencies serving Section 3 businesses and workers to assist in these efforts.

HOME REPAIR PROGRAM POLICIES

The following policies apply to all OH-funded home repair projects, regardless of fund source. OH's Home Repair Program provides low-interest loans primarily for the purpose of improving the health, safety, and energy efficiency of housing for low-income households, with first priority given to health and safety emergencies. Income limits for Home Repair Program loans vary by fund source, but in no case exceed HUD's income limits for low-income households. The maximum individual home repair loan is \$24,000. Total assistance that may be loaned for repair of a home over time may not exceed \$45,000, with a waiver by the OH Director allowing up to \$10,000 additional (for an overall total of \$55,000) due to demonstrated health and safety needs. Interest rates generally are set at 0% simple interest and the loan may be amortized or deferred.